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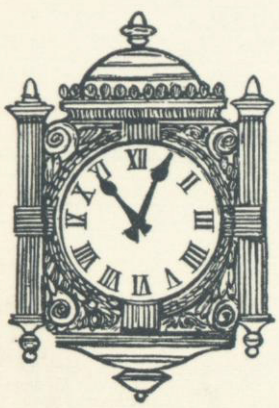

ANNUAL REPORT OF

# MARSHALL FIELD & COMPANY

YEAR ENDED JANUARY 31, 1959

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# MARSHALL FIELD & COMPANY

*founded in 1852*
*an Illinois corporation*
*incorporated in 1901*

*general offices:*
25 EAST WASHINGTON STREET, CHICAGO 2, ILLINOIS

# 1958

## ANNUAL REPORT TO SHAREHOLDERS

*General Counsel*
**WILSON & McILVAINE**
*Chicago*

*Public Accountants*
**ARTHUR ANDERSEN & CO.**
*Chicago*

*Transfer Agents*
**CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO**
*Chicago*

**GUARANTY TRUST COMPANY OF NEW YORK**
*New York*

*Registrars*
**THE FIRST NATIONAL BANK OF CHICAGO**
*Chicago*

**BANKERS TRUST COMPANY**
*New York*

## BOARD OF DIRECTORS

JOHN M. BUDD
*President,*
*Great Northern Railway Company*

KENT CHANDLER
*Director,*
*A. B. Dick Company*

MARSHALL FIELD, JR.
*President and Publisher,*
*Chicago Sun-Times and*
*Chicago Daily News*

STANLEY FIELD
*President,*
*Chicago Natural History Museum*

HENRY P. ISHAM
*President,*
*Clearing Industrial District, Inc.*

WILLIAM V. KAHLER
*President,*
*Illinois Bell Telephone Company*

HUGHSTON M. McBAIN
*Retired Chairman,*
*Marshall Field & Company*

JOHN McKINLAY, JR.
*Executive Vice President*
*and Treasurer,*
*Marshall Field & Company*

HAROLD J. NUTTING
*Executive Vice President,*
*Marshall Field & Company*

JAMES L. PALMER
*President,*
*Marshall Field & Company*

JAMES SIMPSON, JR.
*Farmer*

WILLIAM S. STREET
*Executive Vice President,*
*Marshall Field & Company*

JOHN P. WILSON
*Partner,*
*Wilson & McIlvaine*

## CORPORATE OFFICERS

JAMES L. PALMER, *President*

JOHN McKINLAY, JR.
*Executive Vice President and Treasurer*

HAROLD J. NUTTING
*Executive Vice President*

WILLIAM S. STREET
*Executive Vice President*

DAVID W. DAVIDSON
*Senior Vice President*

GERALD A. SIVAGE
*Senior Vice President*

JOHN D. ANDERSEN
*Vice President and Comptroller*

RALPH E. BOWERS
*Vice President and Secretary*

CHARLES M. RHODES
*Assistant Treasurer*

ARTHUR JACKSON
*Assistant Secretary*

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## DIVISION OFFICERS

### CHICAGO STORES DIVISION

CHARLES W. FOLDS
*Vice President*
*Merchandising*

CLARENCE T. GREGG
*Vice President*
*Merchandising*

CHARLES C. HOLLOWAY
*Vice President*
*Merchandising*

DONALD K. KEITH
*Vice President*
*Merchandising*

JOHN T. MOSS
*Vice President*
*Design*

HARRY D. PERKINS
*Vice President*
*Merchandising*

LLOYD H. RICHMOND
*Vice President*
*Personnel*

RICHARD W. STEENBERG
*Vice President*
*Merchandising*

WILLIAM C. STETSON
*Vice President*
*Merchandising*

### FREDERICK & NELSON DIVISION

CORNELIUS J. BYRNE
*Vice President*
*Merchandising*

MYRON C. LAW
*Vice President*
*Operating*

JASPER UTZ
*Vice President*
*Merchandising*

### MAYFAIR DIVISION

ARNOLD D. K. MASON
*Vice President*
*Merchandising*

### PUBLIC RELATIONS DIVISION

EARL KRIBBEN
*Vice President*
*Civic Affairs*

## THE STORY IN BRIEF

*(in thousands of dollars)*

| | Fiscal Year | | |
|---|---|---|---|
| | 1958 | 1957 | 1956 |
| Net Sales | $217,979 | $219,012 | $211,004 |
| Income before Federal Taxes | 14,914 | 15,618 | 15,533 |
| Federal Taxes on Income | 7,500 | 8,041 | 7,996 |
| Net Income | 7,414 | 7,577 | 7,537 |
| Net Income per Common Share | 3.51 | 3.56 | 3.54 |
| Dividends Declared per Common Share | 2.25 | 2.25 | 2.25 |
| Cash and Securities | 28,325 | 31,599 | 29,564 |
| Accounts Receivable | 26,932 | 26,035 | 25,979 |
| Merchandise Inventories | 31,504 | 31,913 | 32,610 |
| Net Working Capital | 61,932 | 65,815 | 63,333 |
| Ratio of Current Assets to Current Liabilities | 3.4 | 3.6 | 3.4 |
| Expenditures for Plant and Equipment | | | |
| Modernization and Replacement | 2,080 | 2,022 | 1,869 |
| Expansion | 3,191 | 1,686 | 10,862 |
| Depreciation | 3,533 | 3,573 | 3,302 |
| Common Shareholders' Investment | 88,919 | 85,841 | 83,230 |
| Book Value per Common Share | 45.36 | 44.00 | 42.70 |

# MARSHALL FIELD & COMPANY

*The Board of Directors submits to the Shareholders this annual report for the fiscal year ended January 31, 1959.*

**OPERATING RESULTS**

Your Company's sales volume for the year was $217,979,000 compared with $219,012,000 for the preceding year. Net income was $7,414,000 compared with $7,577,000 in 1957. Nonrecurring items totaling about $350,000 after taxes adversely affected 1958 net income in comparison with that of 1957. Important among these was the pre-opening expense of our Mayfair store in Wauwatosa, Wisconsin.

Net income per Common Share was $3.51 in 1958, $3.56 in 1957. Operating results and other financial data are summarized on the opposite page.

The quarterly dividend rate of fifty cents per Common Share was maintained during the year as it has been for the preceding eleven years. An extra dividend of twenty-five cents per Common Share was paid on May 31, 1958 for the third consecutive year. Quarterly dividends of varying amounts have been paid in each of the past nineteen years.

**FINANCIAL DATA**

Our cash and securities declined during the past year from $31,599,000 to $28,325,000. However, $5,000,000 of our cash was used to retire 53,162 4¼% Cumulative Preferred Shares pursuant to the tender offer made in November 1958. This transaction will reduce our preferred dividend requirement by $226,000 per year, an amount equivalent to twelve cents per Common Share.

We exercised our option to prepay without premium, in March 1959, $1,000,000 of the principal amount of a long-term loan from the Metropolitan Life Insurance Company, thus reducing our funded debt to $29,000,000.

Total merchandise inventories were slightly lower at the year end than on January 31, 1958, even though our new Mayfair store was in operation for the first time in January 1959. Accounts receivable and fixed assets increased slightly during the year. Earned surplus increased from $59,603,000 to $62,090,000. The ratio of current assets to current liabilities decreased from 3.6 to 3.4.

The Company's annual rent obligation under long-term leases on properties approximates $550,000 per annum.

Payments toward the 1958 cost of our Retirement Program were $1,647,000. On January 15, 1959 the market value of assets in our Pension

Trust was $37,827,000. Since its establishment in 1943, a total of $6,658,000 has been paid out of this Trust to 3,267 retired employes.

Our capital expenditures during the past year were $5,271,000, of which $3,191,000 was incurred in connection with new operations. Depreciation on all properties totaled $3,533,000. Again in the coming year we expect our capital outlay on stores now in operation to be less than our charge for depreciation. Our physical properties continue to be in excellent condition. Among important improvements effected in 1958 were the renovation of the beauty salon, the toy department, and parts of the budget floor in our main store in Chicago.

**OUR VARIOUS RETAIL OPERATIONS**

Our main stores in Chicago and Seattle continue to produce the greater part of our earnings. Our branch stores in Skokie and Park Forest, Illinois, and Bellevue, Washington, each of which has been in operation only a few years, are still experiencing substantial sales gains and are operating profitably.

Our Mayfair store, in a suburb of Milwaukee, Wisconsin, was opened January 5, 1959. This store has an area of 288,000 square feet, and is almost as large as our Old Orchard store. The latter is widely regarded as one of the finest and most attractive department stores in the country. We believe the Mayfair store is equally distinctive and appealing. It has been received warmly and enthusiastically by people in the Milwaukee area, and we are fully confident that it will be successful.

The parking area in the Old Orchard shopping center in Skokie, Illinois, was enlarged in 1958, thus further improving the facilities in that center. It now accommodates 7,400 automobiles. In November 1958 a beautiful new Saks Fifth Avenue store was opened in Old Orchard. We are pleased to have this fine organization as a neighbor and competitor.

Leasing arrangements and site planning are progressing in the Oakbrook Terrace shopping center in the Hinsdale-Elmhurst area of suburban Chicago. We expect to open a store in this center comparable in size and character with our Old Orchard store. Our present plan is to start construction in 1960.

As a result of a thorough exploration of Far Eastern markets, particularly that of Japan, by one of our Chicago merchandise managers, we have decided to establish a buying office in Tokyo under his direction as resident buyer.

**PERSONNEL MATTERS**

Mr. Hughston M. McBain, Chairman of the Board of the Company, and its chief executive officer since 1943, retired in May 1958 after a period of thirty-five years of distinguished service to the Company. He continues as a member of our Board of Directors. Upon Mr. McBain's retirement, Mr. James L. Palmer, President, was made chief executive officer of the Company, and Mr. John McKinlay, Jr., Executive Vice President and Treasurer, was designated officer in charge of Company affairs in the absence of the President.

Mr. Harold J. Nutting, an Executive Vice President of the Company and General Manager of our Chicago area stores, has announced his plans to retire in July 1959. He, too, has rendered distingished service to the Company through a thirty-five year period.

It is intended that Mr. Gerald A. Sivage, Senior Vice President of the Company and Assistant General Manager of our Chicago area stores, shall succeed Mr. Nutting, and that Mr. David W. Davidson, Senior Vice President of the Company, shall be named Assistant General Manager of the Chicago area stores in addition to his present position as General Merchandise Manager.

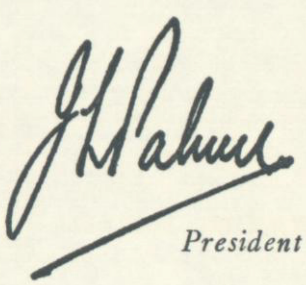
**GENERAL COMMENTS**

Even though the Chicago metropolitan area has been lagging behind the country as a whole in its recovery from the recession, we view the year ahead with optimism. Our sales trend in recent months in the Chicago area has been favorable. This trend also has been quite strong in the Seattle area. Our efforts to reduce operating costs of course continue constantly. Substantial economies which have been effected recently may be expected to carry through into the current year. We believe that 1959 will be a good year for your Company, particularly if general economic conditions continue to improve.

Despite the pressure resulting from recession conditions which have prevailed during the past year we have carefully adhered to the rigid operating standards which have always characterized this business. We continue to stress wide assortments of quality merchandise in our appeal to the public. There has been no relaxation of our constant effort to offer the customer the finest possible personal service. We continue, as we have through more than a century, to emphasize the importance of building beauty and good taste into all of our physical facilities, and maintaining absolute integrity in our relationships with customers.

Once again we express our appreciation to our thousands of employes, customers and suppliers. Any success we achieve is due in large measure to them and their attitude of goodwill towards your Company.

By Order of the Board of Directors,



*President*

March 18, 1959

**MARSHALL FIELD & COMPANY**

**INCOME STATEMENT**

| | Fiscal Year Ended | |
|---|---|---|
| | January 31, 1959 | January 31, 1958 |
| NET SALES | $217,979,469 | $219,011,532 |
| DEDUCT: | | |
| Cost of goods sold and expenses, exclusive of items listed below | $191,638,651 | $192,650,981 |
| Maintenance and repairs | 2,090,044 | 2,011,111 |
| Provision for depreciation and amortization | 3,533,170 | 3,573,023 |
| Taxes other than Federal income taxes | 4,331,436 | 4,200,001 |
| Rentals paid | 910,697 | 770,496 |
| Net interest expense | 561,933 | 187,810 |
| Federal income taxes | 7,500,000 | 8,041,000 |
| | $210,565,931 | $211,434,422 |
| NET INCOME FOR THE YEAR | $ 7,413,538 | $ 7,577,110 |

**EARNED SURPLUS**

| | | |
|---|---|---|
| BALANCE AT JANUARY 31, 1958 | | $ 59,602,815 |
| Net income for the year | | 7,413,538 |
| | | $ 67,016,353 |
| Cash dividends declared on— | | |
| Cumulative Preferred Shares, 4¼% Series | $ 524,532 | |
| Common Shares ($2.25 per share) | 4,401,620 | 4,926,152 |
| BALANCE AT JANUARY 31, 1959 | | $ 62,090,201 |

**PAID-IN SURPLUS**

| | |
|---|---|
| BALANCE AT JANUARY 31, 1958 | $ 9,207,179 |
| Excess of par value of 53,162, 4¼% Cumulative Preferred Shares purchased and cancelled, over the cost thereof | 316,196 |
| BALANCE AT JANUARY 31, 1959 | $ 9,523,375 |

**MARSHALL FIELD & COMPANY BALANCE SHEETS**

| | January 31, 1959 | January 31, 1958 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash | $ 11,632,368 | $ 13,819,891 |
| United States Government securities and other short-term investments, at cost | 16,692,905 | 17,779,268 |
| Receivables from customers and others, less reserves for doubtful accounts of $1,133,501 at the end of each year | 26,932,213 | 26,034,508 |
| Merchandise inventories, priced at the lower of cost or market | 31,504,288 | 31,912,583 |
| Prepaid insurance, supply inventories, etc. | 1,488,486 | 1,706,356 |
| Total Current Assets | $ 88,250,260 | $ 91,252,606 |
| FIXED ASSETS: | | |
| Land, at cost | $ 18,521,791 | $ 18,575,700 |
| Buildings, leaseholds and equipment, at cost | 79,867,754 | 76,867,815 |
| | $ 98,389,545 | $ 95,443,515 |
| Less — Reserves for depreciation and amortization | 31,718,225 | 30,417,589 |
| Net Fixed Assets | $ 66,671,320 | $ 65,025,926 |
| GOODWILL, TRADEMARKS, ETC. | $ 1 | $ 1 |
| | $154,921,581 | $156,278,533 |

| | January 31, 1959 | January 31, 1958 |
|---|---|---|
| **LIABILITIES** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 8,578,186 | $ 6,963,243 |
| Accrued Federal income taxes | 6,651,623 | 7,738,254 |
| Other accrued liabilities | 11,088,866 | 10,736,382 |
| Total Current Liabilities | $ 26,318,675 | $ 25,437,879 |
| 3¾% NOTES, maturing from 1972 to 1982. | $ 30,000,000 | $ 30,000,000 |
| CAPITAL STOCK: | | |
| Cumulative Preferred Shares— | | |
| Authorized 246,838 shares at January 31, 1959 and 300,000 shares at January 31, 1958 of $100 par value, issuable in series—4¼% Series; redeemable at premium of $4.00 per share; issued and outstanding 96,838 shares at January 31, 1959 and 150,000 shares at January 31, 1958 | $ 9,683,800 | $ 15,000,000 |
| Common Shares— | | |
| Authorized 4,000,000 shares of no par value, of which 163,665 shares may be sold to officers or employes without first offering such shares to the shareholders; options are outstanding for 72,615 shares representing 27,465 shares at $29.00 per share and 45,150 shares at $34.20 per share; issued and outstanding 1,960,098 shares at January 31, 1959 and 1,951,068 shares at January 31, 1958, at stated value | 17,305,530 | 17,030,660 |
| PAID-IN SURPLUS | 9,523,375 | 9,207,179 |
| EARNED SURPLUS ($32,513,289 not available for dividends on Common Shares as long as 3¾% Notes are outstanding) | 62,090,201 | 59,602,815 |
| | $ 98,602,906 | $100,840,654 |
| | $154,921,581 | $156,278,533 |

**AUDITORS' CERTIFICATE**

# ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

*To the Shareholders of*
*Marshall Field & Company:*

We have examined the balance sheet of MARSHALL FIELD & COMPANY (an Illinois corporation) as of January 31, 1959, and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the year ended January 31, 1958.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of Marshall Field & Company as of January 31, 1959, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
March 6, 1959